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Quelch, Harry

The bimetallic bubble

London

1895

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BIMETALLIC BUBBLE.

BY

(EDITOR OF "JUSTICE")

Author of "Economics of Labour," "Trade Unionism, Co-operation, and Social-Democracy," etc.

LONDON:

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THE BIMETALLIC BUBBLE.

EVERY now and again, and especially in periods of depression, some nostrum is trotted out by a set of amiable cranks, scheming financiers, or interested traders, which is to have the effect of reviving trade, stimulating the demand for products, raising prices and wages, without materially increasing the cost of living, and of inaugurating a period of plenty and prosperity based upon the continuous dominance by Great Britain of the markets of the world. The advocates of any such scheme always appeal especially to the working class for support. According to them, the trade and commerce of the country are run exclusively in the interests of the workers, whose prosperity depends entirely upon the maintenance of its commercial supremacy, which can only be secured by the adoption of this particular fad. Unfortunately, the workers, always eager to find some way out of their present miserable condition, or at least to ameliorate it in some degree, and anxious to exhaust the possibilities of error before accepting the theories and principles of Socialism, are ever ready to seize upon any proposal which, backed by respectable, propertied men, savouring nothing of revolution, threatening no kind of property, still offers a short cut, if not to the millennium, at any rate to something very like it. Among these various nostrums there was Free Trade, with which the capitalists of fifty years ago succeeded in diverting the attention of the workers from the Chartist movement. In recent years we have had Fair Trade, Reciprocity, Countervailing Duties, and other cries raised to draw the workers off from Socialism. Now it is Bimetallism, which has been persistently preached for some years, and which, while it has found no supporters to speak of outside the propertied and trading classes in other parts of the country, has been seized upon with avidity by a large

number of the workers of Lancashire as a panacea for the difficulties in which they now find themselves through bad trade. Probably not one in a hundred of the textile operatives whose representatives the other week voted five hundred pounds for the propagation of Bimetallism have any idea what Bimetallism means. Perhaps it is because they do not understand it that they are so enthusiastically in favour of it.

There is a sort of mysterious element about Bimetallism which appeals to their imagination. It is a sort of "abracadabra," "blessed word Mesopotamia" kind of mysticism which awes them by its profundity. They do not understand it, but the manufacturers declare that it is the one thing needful to revive trade, they threaten to close the mills unless Bimetallism be adopted, so the operatives believe that, although they do not understand it, Bimetallism is the thing to go for. Briefly, Bimetallism means a two metal money standard. For years Great Britain has had a single money standard—gold. Within the last thirty years other countries have followed her example and have demonetised silver. Bimetallists propose a reversal of this policy and the remonetisation of silver. Because silver, in consequence of increased production, has depreciated in actual value, they want an artificial value to be given to it by law. What puzzles a good many people in connection with this question is our silver coinage and the fact that it always bears a fixed ratio with gold. But our silver coins are not money in the strict sense of the term—they are merely tokens. A shilling is not actually *worth* the twentieth part of £1 any more than a five pound note is actually *worth* five pounds.

Bimetallists claim that the depreciation of silver is due to its demonetisation, that depression of trade is largely due to the depreciation of silver, and that the remonetisation or appreciation of silver would materially help trade, especially in Lancashire. That the Lancashire cotton trade is in a parlous state, that the outlook is gloomy, and that, so far from any promise of revival, trade threatens to go from bad to worse everybody will admit. The same too may be said of agriculture, and it is among those engaged in these two

industries that Bimetallism finds its chief supporters. When this fact is duly appreciated and the reason for it ascertained by our working people they will have perhaps a clearer perception of what Bimetallism means.

Our chief competitors in grain and our principal customers in cotton are silver-using countries; and the price of all the goods they produce and use is measured by a silver standard. In exchange with other countries, gold-using countries, like England for instance, they are measured by a gold standard, and as silver has fallen very considerably in value, as compared with gold, these goods, produced on a silver basis, are so much cheaper than those produced on a gold basis. For instance, take £1 worth of cotton produced in India. An Indian rupee is nominally worth about 2s. or the tenth of £1, therefore, in India 10 rupees would purchase £1 worth of cotton. But, in consequence of the depreciation of silver, an English sovereign is worth from 15 to 18, and even 20 rupees, so that the Indian manufacturer could afford to sell 10 rupees worth of cotton for 15s. on a gold basis and still make a profit. On the other hand, an English manufacturer putting £1 worth of English made cotton on the Indian market would need to get fifteen to eighteen rupees for it, as, if he received the nominal equivalent, i.e., ten rupees, that would only be worth to him about 12s., and he would thus be a loser instead of a gainer by the transaction. This manifestly tells against the English manufacturer, not only in India, but in home and neutral markets. All this is equally true of grain. Wheat grown in silver using countries can be sold here at prices, based on a gold standard, below what it cost to produce on a silver basis. Thus our British farmers and manufacturers are at a disadvantage. So too are all those who draw pay or income of any kind from silver countries. An Indian official in London whose salary was £100 a year would be paid with 1,000 rupees, nominally £100, but really worth only about £60.

This being so, it is demanded by the manufacturer, the merchant and the farmer, that an international agreement should be arrived at to fix the ratio between gold and silver, to remonetise silver and to raise its exchange value

to its nominal value. They claim that it would be only fair play to them to give the rupee its nominal value everywhere, so that in England as well as in India the rupee should be worth the tenth part of £1, no matter what the actual value of silver might be.

This, then, is what Bimetallism really means, the remonetisation of silver; its rehabilitation so as to make it exchange for gold, or for commodities measured by a gold standard, at a nominal, instead of its actual, value. In other words Bimetallism means giving an artificial value to silver. To appreciate any one commodity is to depreciate all other commodities as compared with that one. This is clearly recognised by the advocates of Bimetallism, who complain that it is rather the appreciation of gold than the depreciation of silver that lies at the bottom of the mischief; that this appreciation of gold has effected a consequent depreciation of all other commodities; and that this can only be righted by artificially appreciating silver. Thus the Bimetallists are really silver monometallists, as H. M. Hyndman recently pointed out in *Justice*, since they demand the remonetisation of silver on an artificial basis and the consequent depreciation of gold. Seeing that the appreciation of the gold standard means the cheapening of all the commodities measured by that standard, its depreciation necessarily and naturally means the appreciation, or the raising of the price, of all these other commodities. Thus the effect of Bimetallism, or of silver monetisation would be precisely the same as that of Protection—the raising of the price of all other commodities. This is freely and frankly stated by the Bimetallists. They look to this all round raising of prices to give a stimulus to trade. They argue that high prices and good trade are far preferable to low prices and stagnation.

With this argument Social-Democrats might be inclined largely to agree. They have never ceased to point out that mere cheapness is by no means an unmixed blessing for the workers; that, in the long run, cheap food means cheap labour, and that the advocacy of Free Trade and cheapness by the manufacturing class was mainly dictated by a desire for cheap labour. But, on the other hand, what does this general rise in prices mean for the workers?

It means that all the necessities of life will be made dearer for them. It means that their cost of living will be so far increased that it will take at least £1 to purchase what they can now buy for 15s. Let there be no mistake about this. If the result of Bimetallism is to raise prices, and of that there cannot be the slightest shadow of doubt, that means making the cost of living higher for the whole body of the people in order to benefit a few capitalist manufacturers and merchants. Moreover, that the advocates of Free Trade, the ardent champions of "cheapness" as the one thing needful, the apostles of a school of thought which had universal cheapness for its creed, and actually took its name from the centre of the cotton industry—that these should now turn round and declare in favour of an all round appreciation of prices, is certainly amusing and inconsistent, not to say contradictory and illogical. Bimetallism, then, so far as its effect is concerned, is only another form of Protection.

As we have seen from what has already been stated the British manufacturer and agriculturist feel themselves at a disadvantage as compared with their Eastern competitors owing to the difference in the rate of silver. This amounts, practically, for the Indian manufacturer, to a bounty of say about 30 per cent. It is proposed to destroy this advantage by raising the price of silver in this country. This proposal to artificially appreciate silver and to correspondingly depreciate gold, with a consequent raising of the price of all other commodities, in order to protect the British manufacturer and agriculturist, differs only in kind from the Fair Trade nostrum of countervailing duties to destroy the advantage afforded to their manufactures by the bounties given by foreign governments.

What, after all, is this but Protection, the protection of certain industries, or rather interests, at the expense of the whole community? These interests are by no means those of the workers. Protection for agriculture or for the cotton trade in no way assures protection for the cotton operative or the agricultural labourer. It is too frequently assumed that, because low prices may generally be taken as evidence of low wages, therefore high prices involve high wages. This is an entirely erroneous assumption.

The cost of production is the basis of the value of the product, therefore the wages of the producer is an important factor in determining the price, but the price—except of the barest necessities of life—does not determine wages. Price follows wages, not wages price. Thus, when prices are low, wages necessarily fall, when wages rise prices rise too, but when prices rise, wages do not necessarily rise; they never rise so rapidly as prices, and never rise in the same proportion as prices. To put the same statement in another form: I cannot buy cheaply unless things are produced cheaply—*i.e.* unless those who produce them are badly paid. But if I give a high price for an article, that is no evidence whatever that those who produced it are well paid. Prices cannot be low without wages being low, but prices may be high without wages being high. This is not mere theory, we can see evidences of it all around us. We know that during the miners' lock-out—while they, who had produced the coal, were starving—the coal was fetching famine prices. We know that during the existence of the Corn Laws the agricultural labourer was at least as badly paid as he is now, and that he frequently did not taste wheaten bread for months together. We know, too, that in the most prosperous period in the history of Lancashire, when the manufacturers there were making their fortunes by "leaps and bounds," the working people of Lancashire were in abject misery, and actually died more rapidly during this "prosperous" time than during the cotton famine. While, therefore, it is possible that Bimetallism—the raising of the price of silver—may be of some advantage to the cotton manufacturer and to the farmer, to admit this is by no means to admit that it is of the least consequence to the wage-worker. On the contrary, the facts all go to show that a general raising of prices, such as would be the natural result of Bimetallism—and is, indeed, what Bimetallists look for—would inflict incalculable injury upon the great majority of the people.

It is, of course, contended that the present arrangement is manifestly unfair to the British manufacturer and agriculturist, and that as a mere matter of fair play to them silver should be rehabilitated. This, perhaps,

might be admitted. At any rate, there can be no question that the appreciation of silver would be of immense advantage, for a time at least, to those who trade largely with silver using countries, or who draw their incomes therefrom. If a rupee, which is worth about 2s. in a silver using country, were worth the same here, it is evident that this would immensely improve the position of the British manufacturer trading with such countries. Whether such equality of value could be long maintained, or whether the same result is not bound to be arrived at by the eventual depreciation of silver in those countries themselves, is quite another matter.

But it is further claimed by Bimetallists that the remonetisation of silver, or, in other words, its artificial appreciation, would be not only to the advantage of cotton manufacturers and agriculturists, but would, by its enhancement of prices, stimulate trade, revive our languishing commerce, and inaugurate a period of prosperity for all; and it is on these grounds that the support of the working classes has been appealed for and has been so readily accorded.

Now it seems to me that this argument is based upon a number of assumptions which, upon examination, will prove to be fallacious. First, it appears to be assumed that it is possible to maintain an artificial standard for any particular commodity; secondly, that the rehabilitation and continuous expansion of British trade is possible, if it be only given fair play; and, thirdly, that the well-being of the whole community, and especially of the workers, depends upon the rehabilitation and expansion of British trade. As to the first, it has been proved over and over again that it is not possible to maintain for any considerable period an artificial value for any commodity. Attempts which have from time to time been made to do this have had the effect of temporarily inflating prices and creating an artificial demand, which has been followed by a depression all the more acute and widespread in proportion to the rise. The Salt Trust and the great Copper Syndicate are notable instances of this. Moreover, the proposed appreciation of silver, which is not a natural appreciation—*i.e.*, the result of increased cost of production—but an artificial

appreciation, must, it is recognised, effect a corresponding depreciation in gold, which will also be an artificial depreciation. In other words, while the value of silver in exchange will be maintained above its actual value, the value of gold in exchange will be depreciated below its real value. The result of this would be the gradual withdrawal of gold from circulation, which would ultimately destroy any artificial ratio that may have been established between the two metals. It is strange that in this connection the fact should be lost sight of that money circulating as a commodity and possessing value the same as any other commodity, and not as a mere token, is subject to the same laws as any other commodity. Our Bimetallists recognise the truth of this when dealing with gold. They see that the increased demand for gold money has had the effect of appreciating its value and proportionately depreciating the value of all other commodities. They recognise that the appreciation of silver would have the effect of depreciating gold and raising the price of all other commodities measured by a gold standard. They recognise the common commodity nature of gold in this connection and its susceptibility to the same laws as govern other commodities, and yet they seem to believe it possible to treat silver as if it were not a commodity at all and were superior to these laws.

With regard to the rehabilitation of British trade and the constant expansion of British commerce, it must be obvious to the meanest intelligence that beyond a certain point this is impossible. The question is whether that point has not already been reached. Certain it is that even if the time has not yet come it cannot be far distant when British commercial supremacy will cease, and further expansion of trade will be impossible. Admitted that an adjustment of the currency by the rehabilitation of silver would be of advantage to British manufacturers, everything else remaining equal, what guarantee is there that everything else will remain equal? At present it is contended by Bimetallists that the advantage afforded by the difference in the currency is the only one enjoyed by the Indian manufacturer; that although labour is cheaper, and although he is nearer the supply of raw material, all

this is more than counterbalanced by the greater cost to him of coal and machinery. But machinery is, after all, only a first cost, and the coal difficulty may be met later on by the employment of some other motive-power. At any rate, this is certain: the difficulty of getting coal and machinery was not sufficiently great to prevent the cotton industry being started in India long before the depreciation of the rupee gave manufacturers there any exceptional advantage; and there is every reason to suppose that as time went on this difficulty would be so far met as to be at least covered by the advantage of being near the supplies of cotton. There is no ground whatever, therefore, for supposing that even if silver were remonetised and the difference in the exchange value of the rupee were got rid of India, would cease to be a formidable competitor in the cotton trade.

It is less perhaps in India itself than in the neutral markets of the Far East, in which India is a successful rival, that the advantage this currency difference gives her manufacturers is most felt. The exports of yarns and piece goods from India to China, Hong-Kong and Japan, show a constant and marvellous increase for some sixteen years, during which the exports from the United Kingdom to the same countries have been stationary, or even declining. On the other hand the last year or two show a marked falling-off in the exports from India. This is due to the fact that Japan has not only begun to manufacture for herself, but threatens to become a formidable competitor both for India and England too.

The development of Japan during the past few years has been the wonder and delight of the admirers of modern civilisation. But it must be remembered that the development and opening up of a country like Japan does not merely mean the opening up of fresh markets; but also the creation of additional sources of supply; that the civilisation of such a nation as the Japanese means not merely the creation of a new customer, but also of a potential rival.

In every country in which new markets are opened up it is only reasonable to suppose that new manufactures will be developed. For every effort put forward by

England to meet the demands of such markets as may be opened up a corresponding effort is made by every one of the rivals whom British skill, capital and industry, have largely helped to develop and equip. From 1885 to 1894, according to a statement issued by the Bimetallic League, the cotton spinning spindles of Great Britain have increased from 43,000,000 to 45,270,000, an increase of 2,270,000, or 5.28 per cent.; those of the Continent of Europe from 22,750,000 to 27,350,000, an increase of 4,600,000, or 20.22 per cent.; those of the United States from 13,250,000 to 15,841,000, an increase of 2,591,000, or 18.55 per cent.; and those of India from 2,145,000 to 3,650,000, an increase of 1,505,000, or 70.16 per cent. Thus, although the proportionate increase of the productive power of India in these ten years is enormously greater than that of either Great Britain, Europe, or the United States, the actual addition is far below any one of them. It is only about half the actual increase of Great Britain, which, on the other hand, with about double the number of spindles of the Continent, shows only half as great an actual increase as has taken place in the number of Continental spindles.

Whatever may be said as to the depreciation of silver being the cause of the rapid development of the cotton manufacture in India, this cannot be alleged as the cause of the growth of the same industry on the Continent of Europe and in the United States. Yet both in Europe and the United States, not merely the proportionate, but the actual increase in the number of spindles is greater than in Great Britain. What is true of the cotton trade is true of every other industry. For years England has enjoyed the reputation of being the workshop of the world. Now Germany, France, America, and all the rest are displaying a laudable desire to share with her the honours, the labours, and the emoluments of that position. With this growing rivalry, this ever-intensifying competition, this constant and rapid increase of production and productive power, he would be a sanguine man, indeed, who believed in the possibility of rehabilitating British trade by juggling with the currency, or who thought that the remonetisation of silver would re-establish British commercial supremacy!

Any disadvantage such as that occasioned by a difference in exchange may have the effect of seriously handicapping one of the competitors; but the removal of this disadvantage by no means assures his success—it only renders the competition more keen. If a dozen men are running a race, the man wearing an overcoat, everything else being equal, will be at an immense disadvantage. But if he cast off his overcoat it does not follow that he will therefore win the race, but that every one of his competitors will strive all the harder to prevent his doing so, and to prevent him fully benefiting by the casting-off of his burden. All the nations of the world to-day are competing for all the markets of the world. However much these markets may expand, however fully they may be developed, it must be obvious, as I have said, that there is a limit to their expansion, and that their *continuous* development is an impossibility. The more quickly production and productive power are developed, the sooner anything which hinders expansion is removed, the more rapidly will the limit be reached. Moreover, in competition one man's gain is another man's loss. The complaint of the Bimetallists is not that the markets of the world have not been supplied, not that the demands of the Far East for cotton goods have not been met, but that we, the British nation, the British workers, have not had the ineffable privilege of supplying those markets and meeting those demands. Because of the difference in the value of the rupee the mild Hindoo has been able to largely deprive us of the job of supplying the heathen Chinese and the civilised Jap with calico. There is no guarantee that even if there were not this difference in the value of the rupee the Hindoo would have allowed us to retain our monopoly, or that, if he had been powerless to interfere, other nations would not have done so; nor, as I have shown, is there anything to lead us to believe that the abolition of this difference by the remonetisation of silver will enable us to regain that monopoly.

But why should the workers wish to retain or regain this monopoly? And it is the workers to whom the Bimetallists address their appeal. Successful manufactures, brisk trade, the expansion of British commerce,

the development of markets, even if all these things were possible, they are only the concern of the capitalist, of the manufacturer, the usurer, the exploiter. They are of no concern to the worker; he is only the cat's paw to pull the chestnuts out of the fire. Cheap or dear, good trade or bad, makes precious little difference to the worker; he is always the under dog. When trade is bad he starves in the street; when trade is good he is ground to death in the factory. It is a great, a glorious, a beautiful thing indeed, this commercial prosperity, as manifested by the smoke-stacks and cinder heaps: the mean, filthy tenements; the coal-begrimed houses, the smoke obscured sky, and the stunted populace of Lancashire—truly a glorious thing, that we should strain every nerve and make every sacrifice to retain it!

We are told that the loss of the cotton trade would be vital to Lancashire, and that therefore the danger arising to it through this currency difficulty is of supreme importance to the workers there. But to what Lancashire is it vital? Is it to working class Lancashire or to capitalist Lancashire? What do the workers there get during the best of times but just sufficient to live on so as to go on working? They live to work; and incessant toil—penal servitude, so to speak—is essential to them in order to live. Does this cotton trade, which is so vital to Lancashire, provide the workers there, even in the most flourishing times, with the means for full, prosperous, healthy, bright, and happy lives? Even the most superficial experience of the conditions of their existence is scarcely necessary to enable one to give an emphatic reply in the negative to this query. The life of the factory operative, of the "mill-hand," is the same as that of the mill-horse, with the mill-horse's recompense, constant toil in return for the provender necessary to sustain the ability to toil. It is something to be grateful for, truly, and something which we should all be zealous to defend.

But if the cotton industry is such a boon and a blessing to the Lancashire operative, it is a little too bad of him to be so selfish as to wish to keep all this blessing to himself. Why should he be so anxious to deprive the poor Hindoo of the opportunity of sharing in this blessing?

Mr. John C. Fielden, an able advocate of Bimetallism, speaking on this subject before the Manchester and Salford Trades Council, said: "If the Indian cotton trade can only exist by the wealthy classes enslaving the poor Hindoos and subjecting them to a system of continuous work, worse than was ever exacted from Negro slaves, then in the interests of humanity it had better perish—aye, even in the interests of the Indian people themselves." This sentiment I entirely and heartily endorse; but I would apply it to Lancashire—to the Lancashire workers and to the workers of England at large—as well as to the Hindoos. The conditions of factory life are worse in India than in Lancashire, admitted; but it is, after all, only a difference in degree. Capitalism—of which the factory system is but the expression, the result, and the weapon—exists and fattens, whether in India or in England, on the slavery, the exploitation, the degradation and poverty of the workers. Why should the workers, here or elsewhere, concern themselves with, and vote money for, the propagation of proposals which, at their very utmost, aim at reanimating, strengthening, rehabilitating, and extending that system?

Says Mr. Fielden: "It is perfectly certain that we cannot govern the 220,000,000 people in British India unless the great mass of the people of that country are satisfied that we are governing them in their interests and not in the interests of a number of capitalists, alien to their race, who are extracting out of the mass of the people great gains by keeping them in a state of abject poverty and unremitting toil." I am convinced, and all Social-Democrats are agreed, that the people of Lancashire, the people of England, are not, any more than the people of India, being governed in their own interests, but in the interests of a number of capitalists, native and alien, "who are extracting out of the mass of the people great gains by keeping them in a state of abject poverty and unremitting toil." I submit that this Bimetallist cry is only another one of the many cries which have been raised to distract the workers from the serious pursuit of their own emancipation. Bimetallism, just the same as Free Trade, Protection, Fair Trade, Reciprocity, or any

other of the dodges for depreciating the price of certain commodities by appreciating that of others, may advantage one set of traders and manufacturers at the expense of another set, but it cannot materially help the workers who will always have their noses kept to the grindstone until they get rid of the whole crowd of exploiters. Free Trade, plenty and cheapness; Protection, scarcity and dearth—it is all one to the worker; he can only just live, anyhow. Free Trade means low prices, but it also means low wages or none at all. Protection or Bimetallism may for a time send up prices and increase trade, but prices always rise more rapidly than wages, and the inflation of prices induced by Bimetallism would be over long before it was covered by a rise in wages. The workers would be again sacrificed, as they always have been sacrificed, and as they will continue to be sacrificed while they are dependent for their existence upon a class which owns their means of livelihood, and while they follow any will-o'-the-wisp the capitalist chooses to dangle before them.

This, in any case, is certain, that although Bimetallism, or the appreciation of silver, may advantage certain traders and manufacturers, it would be impossible to maintain the artificial appreciation of silver, any more than of any other commodity, for any considerable period; that even if such appreciation could be effected and maintained, it could not rehabilitate British trade, as the limit of expansion has been well-nigh reached. Commercialism has come to the end of its tether. But even if the rehabilitation of trade and commerce were possible by this or any other means, it would not be to the interests of the workers to aid the application of such means. Their interest lies in the abolition of a system which degrades and exploits and impoverishes them, and in building up as the result of its destruction a system in which commercial supremacy and good trade will be unknown, but where production will be carried on for the satisfaction of human needs, and where the precious metals, as well as every other product of nature and of human labour, will be made to subserve human progress and human happiness.

THE END.

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TITLE**